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FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 6704

C O N F I D E N T I A L SECTION 1 OF 3 HONG KONG 3888

NOFORN

POUCHED: BANGKOK, BONN, BUCHAREST, JAKARTA,
KUALA LUMPUR, LONDON, MANILA, MOSCOW,
OTTAWA, PARIS, RANGOON, ROME, SAIGON, SINGAPORE,
TAIPEI, TEHRAN, TOKYO, VIENTIANE, COMUSTDC

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1. SUMMARY

THE ECAFE SESSION IN TOKYO PROVIDED THE OCCASION FOR A PUBLIC STATEMENT OF THE PRC' S POPULATION POLICY (HK 3887), A REDEFINITION OF ITS " SELF- RELIANCE" DOCTRINE TO ALLOW FOR FOREIGN TRADE AND AID (ITEM 2), AND A QUALIFIED APPROVAL OF ECONOMIC COOPERATION AND AID AMONG DEVELOPING COUNTRIES (ITEM 3), A CATEGORY SPECIFICALLY INCLUDING THE PRC. IN EACH CASE THE STATED CHINESE INTEREST IN LEARNING FROM OTHER COUNTRIES SEEMED TO OPEN THE DOOR A BIT WIDER THAN BEFORE.

ON THE INTERNATIONAL SIDE, THE SPRING CANTON FAIR HAS OPENED AMID INDICATIONS THAT PRICES ARE UP CONSIDERABLY. FOR THE FIRST TIME THE PRC HAS APPROVED HAVING US OFFICIALS ATTEND THE FAIR, AND DPO DAVID DEAN WAS PRESENT FOR THE OPENING (ITEM 4). OTHER SINO- US DEVELOPMENTS INCLUDE WESTERN UNION' S OPENING OF A DIRECT TELEGRAPHIC LINK WITH PEKING (ITEM 13) AND A VISIT TO THE US OF FARENCO OFFICIALS TO COMPLETE ARRANGEMENTS FOR THE SHIPMENT OF US WHEAT DIRECTLY TO THE PRC (ITEM 6).

A MAJOR DISPLAY AT THE CANTON FAIR DEALS WITH OIL FROM TACHING, AND REPORTS OF THE SALE OF ONE MILLION TONS OF CRUDE OIL TO JAPAN LEND CREDENCE TO PEKING' S CLAIMS OF PROGRESS IN PETROLEUM (ITEM 4, TOKYO 4752). IN OTHER DEALS WITH JAPAN THE PRC HAS PURCHASED A US \$41 MILLION FERTILIZER COMPLEX THAT INCLUDES US TECHNOLOGY AND HAS BOUGHT AN ADDITIONAL 1.2 MILLION TONS OF ORDINARY STEEL (ITEM 8). OTHER TRADE TALKS ARE UNDERWAY WITH THE USSR (ITEM 10), ITALY AND WEST GERMANY (ITEM 11), AND THE PRC HAS SIGNED ITS FIRST TRADE AND PAYMENTS AGREEMENT WITH IRAN (ITEM 9). PRESIDENT AHIDJO ANNOUNCED THAT THE PRC GRANTED THE CAMEROON A 150 MILLION RMB (\$80 MILLION) NO- INTEREST LOAN FOR PROJECTS TO BE DECIDED ON IN DUE TIME (YAOUNDE 1250).
END SUMMARY
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2. SELF- RELIANCE REDEFINED

THE PRC HAS GIVEN PUBLIC EXPRESSION TO ITS REDEFINITION OF SELF- RELIANCE AND ITS FAVORABLE VIEW OF THE ROLE OF TRADE AND AID IN A COUNTRY' S DEVELOPMENT. SPEAKING AT THE ECAFE MEETING IN TOKYO ON APRIL 12 PRC REP AN CHIH- YUAN SAID THAT IN THE COURSE OF HER OWN CONSTRUCTION, CHINA HAS COME TO REALIZE THAT " SELF- RELIANCE MEANS FOR A COUNTRY TO RELY MAINLY ON ... ITS PEOPLE, EXPLOIT NATIONAL RESOURCES OR

(THIS IS THE SIGNIFICANT PHRASE) USE FOREIGN RESOURCES OBTAINED UNDER THE PRINCIPLE OF EQUALITY AND MUTUAL BENEFIT ACCORDING TO ITS OWN ACTUAL NEEDS AND POSSIBILITIES" ORDER TO DEVELOP " IN A PLANNED WAY AND STEP BY STEP." IT ALSO MEANS TO " PROMOTE FOREIGN TRADE ON THE PRINCIPLE OF EQUALITY, MUTUAL BENEFIT AND EXCHANGE OF MUTUALLY NEEDED GOODS."

TO MAKE HIS POINT PERFECTLY CLEAR, AN REITERATED THAT " SELF- RELIANCE DOES NOT PRECLUDE INTERNATIONAL ECONOMIC AND TRADE RELATIONS" ON THAT BASIS. EXPRESSING PEKING' S NEWLY INCREASED OPENNESS TO FOREIGN TECHNOLOGY AND, PERHAPS, ADVICE, AN NOTED THAT CHINA IS STILL RATHER BACKWARD ECONOMICALLY AND NEEDS TO MAKE STILL GREATER EFFORTS, AND THEN SAID " WE ARE READY TO LEARN FROM THE ADVANCED EXPERIENCE OF OTHER PEOPLES TO MAKE UP FOR OUR OWN INADEQUACY." (NCNA)

AN WAS SPEAKING ABOUT POLICIES APPROPRIATE FOR DEVELOPING COUNTRIES, A CATEGORY OBVIOUSLY MEANING MOST OF THE OTHER MEMBERS OF ECAFE, BUT ONE THAT ALSO INCLUDES CHINA SINCE AN DESCRIBED THE PRC AS A DEVELOPING COUNTRY, TOO. IF AN' S STATEMENTS APPLY TO THE PRC TOO -- AND IT SEEMS CLEAR FROM THE CONTEXT THAT THEY DO -- THEN, PARTICULARLY GIVEN ITS REDEFINITION OF SELF- RELIANCE, THE PRC SHOULD BE PREPARED TO GO FURTHER THAN IT ALREADY HAS IN EXPANDING FOREIGN TRADE, IMPORTING TECHNOLOGY AND EXPERTS, AND ACCEPTING VARIOUS ARRANGEMENTS THAT AMOUNT TO CREDIT. THE SINE QUA NON REMAINS NO EXCESSIVE COSTS AND NO INTERFERENCE IN INTERNAL AFFAIRS. (LIMITED OFFICIAL USE)

3. FOREIGN AID: SOME FORMS NOW ACCEPTABLE.

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AN CHIH- YUAN BEGAN HIS APRIL 12 SPEECH AT ECAFE BY DENOUNCING THE SUPERPOWERS AND THEIR TRADITIONAL FORMS OF FOREIGN AID. HE CONDEMNED THE " IMPERIALISTS, PARTICULARLY THE SUPERPOWERS" (I. E. THE US AND USSR) FOR USING THE " SIGNBOARD OF ' AID ' AND ' JOINT EXPLOITATION ' TO ROB DEVELOPING COUNTRIES OF THEIR NATURAL RESOURCES," REDUCE THEM TO ECONOMIC DEPENDENCE AND FURTHER PLACE THEM UNDER POLITICAL CONTROL. ON APRIL 17, AN AGAIN STATED THESE VIEWS AND THEN TALKED ABOUT CREDIT. HE ACCUSED THE SUPERPOWERS OF CHARGING HIGH INTEREST AND ATTACHING HARD TERMS AND USING LOANS AS A " MEANS TO CONTROL OTHER COUNTRIES AND INTERFERE IN OTHER COUNTRIES' INTERNAL AFFAIRS."

THE SIGNIFICANT PASSAGE IN AN' S REMARKS FOLLOWED THE RITUALISTIC DENUNCIATIONS IN HIS APRIL 12 SPEECH. HE CHANGED GEARS AND SPOKE FAVORABLY OF STRENGTHENING REGIONAL ECONOMIC AND TRADE RELATIONS. THEN HE REPEATED THE PRC' S NOW

STANDARD FORMULA THAT " SUCH COOPERATION, INCLUDING AID IN ALL FORMS, SHOULD BE BASED ON EQUALITY, MUTUAL BENEFIT AND STRICT RESPECT FOR THE SOVERIEGNTY OF THE COUNTRIES CONCERNED AND THAT NO CONDITIONS SHOULD BE ATTACHED AND NO PRIVILEGES DEMANDED."

OF CHINA'S OWN AID, AN SAID IT WAS AT PRESENT STILL LIMITED BY CHINA'S ECONOMIC BACKWARDNESS. BUT, LOOKING TO THE FUTURE, HE SAID " THE CHINESE PEOPLE ARE EXERTING AN EARNEST EFFORT, TO THE BEST OF THEIR CAPABILITIES, TO STRENGTHEN THEIR ASSISTANCE TO OTHER COUNTRIES." EVEN THAT PHRASEOLOGY, HOWEVER, SUGGESTS THAT CHINA'S FOREIGN AID -- ALTHOUGH RATHER SUBSTANTIAL IN TERMS OF THE PRC ECONOMY -- WILL REMAIN RATHER LIMITED IN ABSOLUTE TERMS FOR SOME TIME TO COME.

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ONCE AGAIN THE PRC'S ATTENDANCE AT AN INTERNATIONAL FORUM HAS CAUSED PEKING TO FORMULATE A PUBLIC POSITION, JUST AS HAD BEEN THE CASE WITH EARLIER INTERNATIONAL MEETINGS THAT THE PRC ATTENDED. CHANGES IN ITS OWN DOMESTIC SITUATION, ITS DESIRE TO APPEAL TO THIRD- WORLD INTERESTS, AND THE DEVELOPMENT OF ITS OWN POLICY POSITINS HAVE COMBINED TO PRODUCE A RATHER TEMPERATE STANCE.

THE SUBTLE SHIFTS IN PEKING' S ATTITUDE SHOW UP IN AN' S FAVORABLE REMARKS ABOUT TRADE AND ECONOMIC COOPERATION (AND, IMPLICITLY, AID) AMONG DEVELOPING COUNTRIES. AN' S SPEECH OPENS THE DOOR FOR PEKING TO APPROVE OF MULTI-LATERAL AID IN THE ECAFE REGION AND PERHAPS TO PARTICIPATE IN IT. SINCE CHINA, TOO, IS DESCRIBED AS A DEVELOPING NATION, THE SAME PASAGES IN THE SPEECH RAISE THE POSSIBILITY THAT CHINA, TOO, MAY NOW BE WILLING TO CONSIDER FAVORABLY SOME FORMS OF MULTILATERAL COOPERATION IN ITS OWN INTERNAL
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DEVELOPMENT -- ALWAYS PROVIDED, OF COURSE, THAT IT IS GIVEN UNCONDITIONALLY. (LIMITED OFFICIAL USE)

4. CANTON FAIR OPENS

CHINA' S 33 RD EXPORT COMMODITIES FAIR OPENED IN KWANGCHOW ON APRIL 15 WITH OVER 5,000 BUSINESSMEN AND OVERSEAS CHINESE PLUS NUMEROUS FOREIGN TRADE DELEGATIONS AND DIPLOMATS ATTENDING. MINISTER AND VICE MINISTER OF FOREIGN TRADE PAI HSIANG- KUO AND CH' EN SHU- FU WERE ON HAND TO GREET THE VISITORS, INCLUDING SPECIAL DELEGATIONS FROM SOMALI (LED BY MINISTER OF FOREIGN TRADE AND TOURISM MOHAMED WARSAMA ALI), GHAMA (LED BY SECRETARY OF THE MINISTRY OF TRADE AND TOURISM B. K. OTTOO), TANZANIA, ZAMBIA, BURMA, MALI, MAURITANIA CONGO, SENEGAL, BRITAIN, MALAYSIA AND SINGAPORE (NCNA).

AMONG FOREIGN DIPLOMATS PRESENT WAS CONGEN DEPUTY PRINCIPAL OFFICER AND CHIEF OF COMMERCIAL/ ECONOMIC SECTION DAVID DEAN, WHO WAS THE FIRST AMERICAN OFFICIAL TO ATTEND A CANTON TRADE FAIR. MR. DEAN WAS ACCORDED CORDIAL TREATMENT THROUGHOUT HIS INITIAL THREE- DAY DISIT AND WAS EXTENDED COURTESIES COMPARABLE TO THOSE GIVEN OTHER RANKING DIPLOMATS FROM HONG KONG AT THE OPENING BANQUET AND RECEPTION. U. S. PARTICIPATION AT THIS FAIR IS LIKELY TO GO WELL BEYOND THE 77 FIRMS AND JOURNALISTS WHICH ATTENDED THE 1972 FALL FAIR, ALTHOUGH IT IS TOO EARLY TO MAKE A FIRM ESTIMATE AS TO HOW HIGH THE NUMBERS WILL GO.

INITIAL REPORTS FROM CANTON INDICATE THAT PRICES ARE UP AGAIN AT THIS FAIR, AND PRE- FAIR SPECULATION AMONG KNOWLEDGEABLE BUSINESSMEN WAS THAT THE INCREASES WOULD BE SIZEABLE. ONCE AGAIN JAPANESE BUYERS MOVED IN QUICKLY TO SNAP UP THE BEST ANTIQUES AND FINE ARTS PRODUCTS, PLACING THEIR CARDS ON THE MERCHANDISE WITHOUT ENQUIRING AS TO PRICES, THUS CONTRIBUTING TO INEVITABLE FURTHER PRICE INCREASES. REPORTS FROM OTHER FAIR AREAS ARE THUS FAR FRAGMENTARY, AND IT IS TOO EARLY TO TELL WHAT THE OVERALL TREND IN PRICES AND AVAILABILITIES WILL BE.

ONE MAJOR NEW PRODUCT ON DISPLAY AT THE OPENING WAS
CHINESE CRUDE OIL, SAMPLES OF WHICH CAME FROM THE TACHING
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OILFIELDS IN HEILUNGKIANG. WHILE THERE IS YET NO CLEAR
INDICATION THAT THE CHINESE INTEND TO OFFER OIL FOR SALE AT
THE FAIR, THE IMPLICATION THAT SUCH SALES COULD TAKE PLACE
IS HEIGHTENED BY REPORTS FROM TOKYO THAT THE JAPANESE
NEGOTIATIONS TO PURCHASE CHINESE OIL (ER 7) HAVE BEEN
SUCCESSFULLY CONCLUDED (TOKYO 4752). IN ANY CASE, THE DISPLAY CALLS
ATTENTION TO PROGRESS BEING MADE BY THE PRC IN THE PETROLEUM
FIELD AND, BY IMPLICATION, DEMONSTRATES THE IMPORTANCE WHICH
THE PRC ATTACHES TO THE DEVELOPMENT OF ITS PETROLEUM
RESOURCES. THE CURRENT FAIR WILL PROBABLY SEE MORE DISCUS-
SIONS BETWEEN FOREIGN SUPPLIERS OF OIL EXTRACTION EQUIPMENT
AND TECHNOLOGY THAN ANY FAIR IN RECENT YEARS, AS CONOCO,
ESSO (HK), CALTEX (HK), MIBIL (HK), BAKER OIL TOOLS, US
STEEL AND A NUMBER OF OTHER MAJOR US PRODUCERS OF OIL EQUIPMENT
AND TECHNOLOGY HAVE BEEN INVITED. (LIMITED OFFICIAL USE)

5. NEW CAAC FLIGHT SCHEDULE

THE NEW FLIGHT SCHEDULE THAT WENT INTO EFFECT APRIL 1
HAS ADDED THREE DOMESTIC SERVICES AND DROPPED TWO. THE
ADDITIONS ARE PEKING- SHENYANG- TALIAN (DAIREN), SHENYANG-
TALIAN, AND CHENG TU- KWEIYANG- TUNGJEN. TALIAN IS A MAJOR
INDUSTRIAL AREA, THE PRINCIPAL PORT FOR NORTHEAST CHINA,
AND THE OBVIOUS CHOICE FOR A PORT FOR OIL SHIPMENTS TO
JAPAN AND FOR THE TERMINUS FOR A REPORTEDLY PLANNED
PIPELINE FROM TACHING
FOR THAT PURPOSE (TOKYO 4752). TUNGJEN IS A TRANSPORT
CENTER NEAR THE KWEICHOW- HUNAN BORDER AND IS REPUTED TO HAVE
RICH MINERAL DEPOSITS NEARBY. THE TWO DELETIONS ARE SIAN-
HANCHUNG AND NANKING- HUAIYIN. THESE SERVICES MAY HAVE BEEN
DROPPED DUE TO LACK OF TRAFFIC AND THE DESIRE TO MAKE BETTER
USE OF AIRCRAFT ELSEWHERE.

THERE ARE NOW 77 DOMESTIC SERVICES, AND 187 FLIGHTS PER
WEEK, AN INCREASE RESPECTIVELY OF 1 AND 14 OVER THE APRIL
1972 SCHEDULE. (UNCLASSIFIED)

6. SHIPPING OFFICIALS TO VISIT U. S.

TWO OFFICIALS OF THE FAR EAST ENTERPRISE CO. (FARENCO)
HK LTDOWN A PRC- CONTROLLED SHIPPING COMPANY, PLAN TO LEAVE
HONG KONG APRIL 24 FOR THE US TO WORK OUT ARRANGEMENTS WITH
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THEIR AGENTS FOR FARENCO TIME- CHARTERED VESSELS TO TRANSPORT GOODS TO THE PRC FROM US PORTS ON AN FOB BASIS. THESE OFFICIALS SAID THAT SUCH A VISIT WAS DESIRABLE, GIVEN THE RECENT EXPANSION OF US- CHINA TRADE AND PRC INTENT TO MOVE AWAY FROM USE OF THE MORE EXPENSIVE C& F BASIS FOR CARRYING US WHEAT TO CHINA. THEY PLAN TO CALL ON FEDERAL MARITIME COMMISSION OFFICIALS, AND TO VISIT SAN FRANCISCO, NEW YORK, NEW ORLEANS AND PORTLAND. (HK 3865). (CONFIDENTIAL)

7. BORDER RAILWAY TALKS WITH HANOI

A CHINESE RAILWAY DELEGATION, HEADED BY SUN LIEN- CHIEH, DEPUTY HEAD OF THE LIAO CHOU RAILWAY DEPARTMENT, ATTENDED THE 15 TH CONFERENCE OF THE CHINA- VIETNAM BORDER RAILWAY COMMITTEE HELD IN HANOI APRIL 3-15. THE CHINESE AND VIET- NAMESE DELEGATIONS SIGNED A PROTOCOL, AFTER WHICH PHAN TRONG TUE, MINISTER OF COMMUNICATIONS AND TRANSPORT OF N. VIETNAM, GAVE A RECEPTION. DURING THEIR STAY IN N. VIETNAM THE CHINESE DELEGATION CALLED ON PREMIER PHAN VAN DONG AND VISITED THE NATIVE PLACE OF HO CHI MINH AND COMMUNICATIONS AND TRANSPORT UNITS (NCNA, APRIL 14 AND 16). THE MEETING IS AN ANNUAL AFFAIR AND ALTERNATES BETWEEN BEING HELD IN THE PRC AND IN THE DRV. THE 14 TH MEETING WAS HELD IN KUNMING DURING MARCH, 1972, AND THE 13 TH WAS HELD IN HANOI, APRIL 2-12, 1971. (UNCLASSIFIED)

8. PRC BUYS FERTILIZER COMPLEX AND MORE STEEL FROM JAPAN

PRESS REPORTS FROM TOKYO CONFIRMED BY JAPANESE CONSULATE GENERAL SOURCES IN HONG KONG INDICATE THAT TWO SIZEABLE PRC PURCHASES FROM JAPAN WERE RECENTLY CONCLUDED. THE FIRST, REPORTED FROM PEKING APRIL 10 BY KYODO, CALLS FOR DELIVERY OF 1.2 MILLION TONS OF JAPANESE ORDINARY STEEL TO CHINA BETWEEN JULY AND DECEMBER 1973. NO PRICE INFORMATION WAS GIVEN. THIS WILL BRING TOTAL JAPANESE ORDINARY STEEL DELIVERIES IN 1973 TO AROUND 2.2 MILLION TONS, HIGHER THAN THE 1971 LEVEL OF 1.9 MILLION AND WELL ABOVE LAST YEAR'S LEVEL OF ABOUT 1.6 MILLION TONS (1972 HK A-349). THUS LAST YEAR'S DECLINE IN DELIVERIES, DUE PRIMARILY TO DELAYS IN NEGOTIATING CHINA'S 1972 PURCHASES OF ORDINARY STEEL, WILL BE OFFSET BY THE HEAVIER DELIVERIES THIS YEAR. CONFIDENTIAL

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(NEGOTIATIONS ON SPECIAL STEELS ARE STILL IN PROCESS.)

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IN THE SECOND MAJOR TRANSACTION, FOUR JAPANESE COMPANIES (MITSUI TOATSU CHEMICAL, MITSUI AND CO., HIROSHIMA TRADING AND TOYO ENGINEERING) SIGNED A CONTRACT IN PEKING APRIL 12 FOR THE SALE OF A FERTILIZER COMPLEX VALUED AT 1.1 BILLION YEN (US\$41 MILLION) TO CHINA. THE COMPLEX WILL INCLUDE A UREA PRODUCTION FACILITY WITH AN OUTPUT OF 1,600 TONS PER DAY AND AN AMMONIA FEEDSTOCK PLANT OF 1,000 TONS PER DAY CAPACITY. ONCE AGAIN FINANCING IS TO BE ON AN INSTALLMENT BASIS CALLING FOR 20 PERCENT DOWN AND THE REMAINDER OVER FIVE YEARS AT SIX PERCENT INTEREST. WE ASSUME THAT THE SALE WILL BE BACKED BY JAPAN EX- IM BANK CREDITS TO THE SUPPLIERS.

TECHNOLOGY FOR THE UREA MANUFACTURING PLANT WILL COME FROM THE US M. W. KELLOGG COMPANY. M. W. KELLOGG OWNS MORE THAN FIFTY PERCENT INTEREST IN THE KELLOGG CONTINENTAL CONFIDENTIAL

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COMPANY OF HOLLAND WHICH EARLIER SOLD THREE UREA PLANTS TO CHINA (HK 1633 AND 1598).

(BEGIN CONFIDENTIAL/ NOFORN) IN ADDITION, CANADIAN SOURCES BELIEVE THAT M. W. KELLOGG HAS CONCLUDED YET ANOTHER DEAL FOR THE SALE OF THREE AMMONIA PLANTS TO CHINA AT A PRICE

OF \$75 MILLION, PRESUMABLY AS FEEDSTOCK PLANTS FOR THE UREA PLANTS FROM KELLOGG- CONTINENTAL (HK 3035). WE HAVE, HOWEVER, SEEN NO FURTHER CONFIRMATION OF THIS TRANSACTION. (END CONFIDENTIAL/ NOFORN)

9. FIRST TRADE AGREEMENT WITH IRAN SIGNED

CHINA GAVE HIGH- LEVEL TREATMENT TO A VISITING IRANIAN TRADE DELEGATION HEADED BY ECONOMIC MINISTER HOUSHANG ANSARI, WHICH ARRIVED IN PEKING ON APRIL 3. THE IRANIANS MET WITH PREMIER CHOU EN- LAI AND HELD TALKS WITH FOREIGN TRADE MINISTER PAI HSIANG- KUO, MINISTER FOR ECONOMIC RELATIONS WITH FOREIGN COUNTRIES FANG YI, AND OTHER HIGH- LEVEL OFFICIALS. PRIOR TO DEPARTING FOR CANTON APRIL 10, ANSARI SIGNED IRAN' S FIRST TRADE AND PAYMENTS AGREEMENT WITH THE PRC (NCNA APRIL 8).

UNDER THE NEW AGREEMENT SINO- IRANIAN TRADE CAN BE EXPECTED TO CONTINUE TO INCREASE. IN THE PAST THREE YEARS TRADE AS GROWN FROM A NEGLIGIBLE LEVEL IN 1968-69 TO US\$6.1 MILLION IN 1970 AND US\$10.3 MILLION IN 1971. DURING 1972, CHINA REPORTEDLY AGREED TO PURCHASE US\$8 MILLION WORTH OF IRANIAN COTTON (MIDDLE EAST ECONOMIC DIGEST AS QUOTED IN MOSCOW NARODNY BANK PRESS BULLETIN, AUGUST 2, 1972), AND ON JANUARY24, 1973, THE PRC SIGNED AN AGREEMENT WITH THE IRANIAN NATIONAL PETROCHEMICAL INDUSTRIES COMPANY TO PURCHASE 50,000 TONS OF SULPHUR (RADIO TEHRAN). THE LATTER PURCHASE MAY BE ONE CONCRETE RESULT OF THE VISIT TO TEHRAN LAST MAY OF A PRC PETROLEUM EXPERTS MISSION (1972 ER 11).

10. SINO- SOVIET TRADE TALKS BEGIN

MOSCOW RADIO ON APRIL 12 REPORTED THE ARRIVAL OF A

WORKING- LEVEL PRC TRADE DELEGATION TO BEGIN NEGOTIATIONS
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ON THE SINO- SOVIET TRADE AGREEMENT FOR 1973. THE SITE ALTERNATES BETWEEN THE TWO CAPITALS; THE 1972 NEGOTIATIONS BEGAN IN APRIL IN PEKING AND THE AGREEMENT WAS SIGNED IN JUNE (1972 HK 3917). THUS WE WOULD EXPECT THIS YEAR' S AGREEMENT TO BE SIGNED IN MOSCOW PROBABLY WITHIN THE NEXT TWO MONTHS. AS IN PAST YEARS, NCNA DID NOT REPORT THE BEGINNING OF THESE TALKS, PRESUMABLY BECAUSE OF THE LOW RANK OF THE PERSONNEL INVOLVED. IN RECENT YEARS SINO- SOVIET TRADE HAS RISEN FROM AN ABNORMALLY LOW 1970 LEVEL OF US\$47 MILLION TO AN ESTIMATED US\$250 MILLION IN 1972. ACCORDING TO A RECENT STATEMENT BY SOVIET CHINA EXPERT KAPITSA, MOSCOW EXPECTS THE LEVEL OF TRADE CALLED FOR IN THIS YEAR' S AGREEMENT TO BE OF AT LEAST THE SAME

MAGNITUDE AS LAST YEAR (MOSCOW 3619). CONFIDENTIAL/ NOFORN

11. TRADE DELEGATIONS TO ITALY AND WEST GERMANY

A PRC DELEGATION LED BY SUN SO- CHANG, DEPUTY DIRECTOR OF A BUREAU OF THE MINISTRY OF FOREIGN TRADE, LEFT PEKING FOR ROME APRIL 6 TO ATTEND THE 2 ND SINO- ITALIAN AMALGAMATED COMMITTEE MEETING HELD IN ACCORDANCE WITH A TRADE AGREEMENT SIGNED BETWEEN THE TWO COUNTRIES IN OCTOBER 1971 (1971 ER 23). THE COMMITTEE HELD ITS FIRST SESSION IN PEKING ONE YEAR AGO (1972 ER 8). THESE MEETINGS GENERALLY DISCUSS THE DEVELOPMENT OF TRADE DURING THE PAST YEAR AND PLAN FOR FUTURE TRADE EXCHANGES. AMONG THE LIKELY SUBJECTS TO BE DISCUSSED THIS YEAR WOULD BE A PRC TRADE EXHIBITION IN ITALY TO RECIPROCATATE FOR LAST YEAR' S LARGE ITALIAN EXHIBITION IN PEKING (1972 ER-21). SIGNIFICANTLY, SUN' S DELEGATION WAS JOINED BY A GROUP FROM THE CHINA COUNCIL FOR THE PROMOTON OF INTERNATIONAL TRADE (CCPIT) LED BY VICE- CHAIRMAN LI HSI- FU ON APRIL 15. THE TWO DELEGATIONS FORMED A " STUDY GROUP" TO ATTEND THE MILAN INTERNATIONAL FAIR OPENING THE SAME DAY (NCNW). THEIR JOINT PRESENCE THUS APPEARS TO INDICATE PRC INTEREST IN USING THE MILAN FAIR AS A VEHICLE FOR A FUTURE EXHIBITION IN ITALY. AFTER LEAVING MILAN, LI' S DELEGATION IS SCHEDULED TO VISIT THE HANOVER INTERNATIONAL FAIR IN WEST GERMANY AT THE INVITATION OF FAIR AUTHORITIES, PROBABLY TO STUDY PROSPECTS FOR FUTURE PRC PARTICIPATION THERE AS WELL. (UMGLASSIFIED)

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12. SINO- ROMANIAN SCIENTIFIC COOPERATION PLAN FOR 1973-74 SIGNED

CHINA' S ACADEMY OF SCIENCES AND THE ACADEMY OF THE ROMANIAN SOCIAIST REPUBLIC SIGNED A PLAN FOR SCIENTIFIC COOPERATION FOR 1973-74 ON MARCH 31 IN BUCHAREST DURING A VISIT BY A CHINESE SCIENTIFIC DELEGATION (NCNA APRI 1). THIS IS THE THIRD SIGNING OF THIS TYPE OF AN AGREEMENT WITH ROMANIA THAT NCNA HAS REPORTED. ON THE TWO PREVIOUS OCCASIONS, 1961 AND 1967, SIMILAR PLANS WERE DESCRIBED AS RUNNING FOR ONE YEAR EACH. CHINA HAS SIGNED SIMILAR AGREEMENTS WITH ALBANIA AND NORTH KOREA IN RECENT YEARS, BUT THIS IS THE FIRST SUCH ACCORD WITH A COMMUNIST COUNTRY IN 1973. (UNCLASSIFIED)

13. COMMUNICATIONS LINKS WITH HONG KONG AND U. S. IMPROVED.

A 24- HOUR TELEX SERVICE LINKING HONG KONG AND PEKING BEGAN OPERATION APRIL 9. OFFICIALS OF HONG KONG' S CABLE AND WIRELESS AND PEKING TELECOMMUNICATION OFFICIALS USED

THE NEW FACILITY TO EXCHANGE GREETINGS AND DESCRIBED IT AS AN IMPORTANT STEP IN THE EXPANDING MUTUAL COMMUNICATION LINKS. THE GENERAL MANAGER OF CABLE & WIRELESS TOLD A CONGEN OFFICER APRIL 18 THAT THE NEW LINK HAD NOT BEEN USED MUCH TO DATE AND THAT THERE ARE ONLY 16 END- USERS IN PEKING. HE PREDICTED, HOWEVER, THAT VOLUME OF TRAFFIC WOULD RISE GRADUALLY OVER TIME. MEANWHILE, WESTERN UNION ANNOUNCED IN NEW YORK ON APRIL 18 THAT IT HAD REACHED AGREEMENT WITH CHINA FOR A DIRECT TELEGRAPH LINK BETWEEN PEKING AND THE US (UPI, HONG KONG STANDARD, APRIL 19). LIMITED OFFICIAL USE

14. RECENT REPORTS ON ECONOMIC TOPICS

HK 3592 US STEEL AND OTHER AMERICAN FIRMS INVITED TO CANTON FAIR

HK 3758 PRC RED CROSS DONATIONS TO UPPER VOLTA AND AFGHANISTAN

HK 3784 SHIU VISIT TO UNITED STATES

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HK 3865 PRC- CONTROLLED SHIPPING COMPANY SENDS OFFICERS TO US

HK 3887 PRC POPULATION POLICY-- INCREASE IN A PLANNED WAY

HK A-94 CANADIAN PETROLEUM MISSION TO CHINA, APRIL- MAY 1973.

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